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BEFORE THE ARIZONA CORPORATION

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2004 DEC 10 A 10:12

AZ CORP COMMISSION
DOCUMENT CONTROL

IN THE MATTER OF THE APPLICATION
OF ARIZONA PUBLIC SERVICE
COMPANY FOR A HEARING TO
DETERMINE THE FAIR VALUE OF THE
UTILITY PROPERTY OF THE COMPANY
FOR RATEMAKING PURPOSES, TO FIX
A JUST AND REASONABLE RATE OF
RETURN THEREON, TO APPROVE RATE
SCHEDULES DESIGNED TO DEVELOP
SUCH RETURN, AND FOR APPROVAL
OF PURCHASED POWER CONTRACT.

Docket No. E-01345A-03-0437

Arizona Corporation Commission
DOCKETED

DEC 10 2004

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RUCO'S NOTICE OF FILING REQUESTED ADDITIONAL INFORMATION

The Residential Utility Consumer Office ("RUCO") hereby files its response to Chairman Spitzer's request regarding the Jobs Act. RUCO has marked the attached filing as Exhibit RUCO-16, and provided the original Exhibit to the court reporter, as instructed by the Chief Administrative Law Judge at the hearing.

RESPECTFULLY SUBMITTED this 10th day of December, 2004.

Scott S. Wakefield
Chief Counsel

1 AN ORIGINAL AND THIRTEEN COPIES
of the foregoing filed this 10th day
2 of December, 2004 with:

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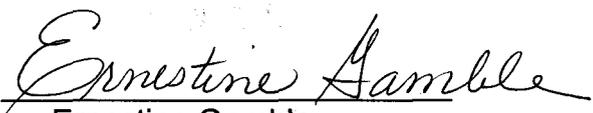
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By 
Ernestine Gamble
Secretary to Scott Wakefield

**RUCO'S RESPONSE TO
CHARIMAN SPITZER'S REQUEST REGARDING THE JOBS ACT**

BACKGROUND

During the hearing on the APS settlement proposal, Commissioner Spitzer noted the recent passage of the Jobs Act and its varied energy-related contents. In the context of the APS rate case generally, and the discussion of the renewable energy-related aspects of the proposed settlement specifically, he asked for the parties' respective views about why special treatment should be accorded renewable forms of energy.

RUCO'S RESPONSE

At least two lines of analysis lead to the conclusion that society should invest in the development of renewable forms of energy. The first of these is that it is in the society's best interest to do so because our principal fossil energy sources are by definition finite and will eventually be exhausted. It is in the societal interest to develop alternative sources of energy well before we reach the point where we run out of oil, gas and coal. While experts differ on the time frame over which these resources will become depleted, there is no doubt that they will eventually do so. Because our standard of living is to a large degree dependent upon having an abundance of energy, it is imperative that society chooses to invest in and support the development of alternative forms of energy to supplement in the near-term, and eventually replace in the long-term, the diminishing store of fossil fuels.

Additionally, our current use of oil, gas and coal as the primary fuel sources has serious detrimental effects on the environment and on the health of our citizenry. While it is true that some of the myriad forms of renewable energy also have varying degrees of negative environmental and health impacts, none of

them are as serious as the impact on clean air and clean water that we are already experiencing, and have experienced for decades because of our reliance on fossil fuels and coal. Both the extraction and use of these materials has caused untold damage to human health and the environment. It is in the society's best interest to invest in the development of more healthy energy alternatives.

A second line of analysis is simply one of fundamental fairness. While those who are opposed to any societal investment in developing alternative energy often cite a belief in the "free market" as the basis for their opposition, these opponents conveniently fail to acknowledge the enormous advantages that other forms of energy generation have received from society. For instance, to cite only a few examples, the oil, gas and coal industries have benefited from numerous tax advantages throughout their history; the nuclear industry probably would not exist as a viable business without the societal insurance benefit of the Price-Anderson Act of 1957. The cost in human lives and treasure to defend sea lanes and access to petroleum from unstable regions is not reflected in the commodity price of oil, hiding the important price signal that "pure" market enthusiasts claim to espouse. Targeted, intelligent and long-term investment in, and legislative support of, the development of alternative energy sources is no more violative of the elusive notion of truly "free markets" than are tax breaks, insurance bailouts and hidden costs.

In summary, the oil and gas, coal, and nuclear industries all benefited during their developmental stages (and continuing during their mature stages) from various forms of governmental support. A similar degree of support for alternative energy systems, such as that in the Jobs Act, is not only warranted but also is necessary to provide a hedge against fossil fuel price shocks and sudden economic dislocations from unanticipated events, to guard against threats to our national security from over-reliance on energy resources from volatile regions, to ease the inevitable transitions from existing energy systems to others and in order to help provide future generations with the energy resources they will require.